

January 12, 2004

**Notice of corrections to 2003 Form ND-2 instruction booklet:
National Guard/Reserve member exclusion for federal active duty**

There is an error in the 2003 Form ND-2 instruction booklet. The error pertains to the new compensation exclusion allowed to National Guard and U.S. armed forces reserve members who were called to federal active duty. The error appears on pages 2 and 10 of the booklet where it is stated that the exclusion is for federal active duty service performed *outside North Dakota*. This is incorrect. The exclusion is allowed regardless of where the federal active duty service was performed.

The following shows where the errors appear and the corrections to them:

- **Error on page 2 of 2003 Form ND-2 instruction booklet**

On page 2 of the 2003 Form ND-2 instruction booklet, in the article “New exemption for National Guard and reserve members,” the second sentence reads as follows:

Compensation received for federal active duty service performed outside North Dakota is exempted to the extent it is included in federal taxable income.

Correction: The second sentence should read as follows:

Compensation received for federal active duty service is exempted to the extent it is included in federal taxable income.

- **Error on page 10 of 2003 Form ND-2 instruction booklet**

On page 10 of the 2003 Form ND-2 instruction booklet, in the instruction for line 22 (“Other subtract adjustments”), the first bulleted paragraph reads as follows:

Compensation received by a National Guard or U.S. armed forces reserve member for federal active duty outside North Dakota. Do not include compensation for attending annual training, basic military training, professional military education, or for voluntary active duty.

Correction: The first bulleted paragraph in the instruction for line 22 should read as follows:

Compensation received by a National Guard or U.S. armed forces reserve member for federal active duty. Do not include compensation for attending annual training, basic military training, professional military education, or for voluntary active duty.

Questions may be directed to:

*Individual Income Tax Section
Office of State Tax Commissioner
600 East Boulevard Avenue, Dept. 127
Bismarck, ND 58505-0599*

*Phone: 701-328-1032
Fax: 701-328-1942
E-mail: individualtax@state.nd.us*

► Check only if applicable: ☐ Amended
(See page 8) ☐ Extension

- **Attach a complete copy of your 2003 federal income tax return**
- **Mail to: Office of State Tax Commissioner, 600 E. Boulevard Ave., Dept. 127, Bismarck, ND 58505-0550**

Schedule North Dakota Office of State Tax Commissioner
2 **Schedule for full-year resident using**
Form ND-2



2003
Form ND-2

A. Federal adjusted gross income from line 34 of Form 1040, or line 21 of Form 1040A, or line 4 of Form 1040EZ, or line I of TeleFile Tax Record ----- **(H) A** _____

1. Federal taxable income from line 40 of Form 1040, or line 27 of Form 1040A, or line 6 of Form 1040EZ, or line K of TeleFile Tax Record *(If zero, see page 8 of instructions)* ----- **(I) 1** _____

North Dakota additions

2. Interest from state and local government obligations *(except North Dakota)* ----- **(J) 2** _____

3. State and local income taxes from Form 1040, Schedule A, line 5 [However, see instructions if line A above exceeds \$139,500 (\$69,750, if married filing separately)] ----- **(L) 3** _____

4. Other *(See instructions) (Attach supporting statement)* ----- **4** _____

5. Total additions *(Add lines 2, 3, and 4)* ----- **(M) 5** _____

6. Balance *(Add lines 1 and 5)* ----- **6** _____

North Dakota subtractions

7. Interest from U.S. obligations ----- **(N) 7** _____

8. Military pay exclusion ----- **(O) 8** _____

9. Additional military pay exclusion for overseas duty ----- **(2F) 9** _____

10. Military retirement pay exclusion ----- **(#) 10** _____

11. Income from a federal civil service pension, a North Dakota city firefighter or police officer pension, or the North Dakota highway patrol pension fund ----- **(Q) 11** _____

12. Interest income from sale of land to a qualifying beginning farmer ----- **(2H) 12** _____

13. Rental income from leasing of land to a qualifying beginning farmer ----- **(2I) 13** _____

14. Gain from sale of land to a qualifying beginning farmer ----- **(2J) 14** _____

15. Interest income from North Dakota financial institutions ----- **(2K) 15** _____

16. Interest income from sale of a business to a qualifying beginning entrepreneur ----- **(2L) 16** _____

17. Rental income from leasing a business to a qualifying beginning entrepreneur ----- **(2M) 17** _____

18. Gain from sale of a business to a qualifying beginning entrepreneur ----- **(2N) 18** _____

19. Exclusion for investment in ND venture capital corporation ----- **(2A) 19** _____

20. Medical expenses not allowed due to 7.5% of adjusted gross income limitation *(Enter smaller of line 1 or line 3, Sch. A, Form 1040)* ----- **(R) 20** _____

21. Additional exemption: If your Filing Status *(at top of Form ND-2)* is Married filing jointly, Head of household, or Qualifying widow(er), enter \$300 ----- **21** _____

22. Other *(See instructions) (Attach supporting statement)* ----- **(T) 22** _____

23. Total subtractions *(Add lines 7 through 22)* ----- **(U) 23** _____

24. Balance *(Subtract line 23 from line 6)* ----- **24** _____

25. Federal income tax - see instructions for amount to enter on this line ----- **(V) 25** _____

26. Adjusted gross income from line A at top of page ----- **(W) 26** _____

27. If an entry was made on lines 7 through 18, or line 22, see the instructions for the amount to enter on this line. Otherwise, enter amount from line 25 on line 30, and go to line 31 ----- **(X) 27** _____

28. Subtract line 27 from line 26 ----- **28** _____

29. North Dakota income ratio *(Divide line 28 by line 26 and round to nearest two decimal places. If line 28 equals line 26, enter 1.00)* ----- **29** _____.____

30. Federal income tax deduction *(Multiply line 25 by line 29)* ----- **(Y) 30** _____

31. North Dakota taxable income *(Subtract line 30 from line 24)* Enter here and on Form ND-2, Tax Computation Schedule, line 1 ----- **31** _____